

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 Fremont Street, 21st Floor
San Francisco, California 94105**

FINAL STATEMENT OF REASONS

September 27, 2002

RH02019392

**REGULATIONS CONCERNING VALUATION OF LIFE
INSURANCE POLICIES, INCLUDING INTRODUCTION AND
USE OF NEW SELECT MORTALITY FACTORS, PURSUANT TO
INSURANCE CODE SECTION 10489.94**

UPDATE OF INITIAL STATEMENT OF REASONS AND INFORMATIVE DIGEST

There is no need to update any of the information contained in the Initial Statement of Reasons, or in the Informative Digest, for this matter.

UPDATE OF MATERIAL RELIED UPON

No material other than this Final Statement of Reasons has been added to the rulemaking file since the time the rulemaking record was opened, and no additional material has been relied upon.

MANDATE UPON LOCAL AGENCIES AND SCHOOL DISTRICTS

The Department has determined that the proposed regulations will not impose a mandate upon local agencies or school districts.

ALTERNATIVES

The Commissioner has determined that there are no alternatives that would be more effective, or as effective and less burdensome to affected persons, than the proposed regulations. In support of this determination is the fact that no alternatives were suggested during the public comment period, despite the express invitation that was extended in the Notice of Proposed Action to comment on alternatives to the regulations.

INCORPORATION BY REFERENCE

As specified in the Notice, the following four documents have been incorporated by reference

into the proposed regulations:

- The Commissioners' 1980 Standard Ordinary Mortality Table (1981 *Transactions of the Society of Actuaries*, Volume 33, pp. 618, 673) incorporated into the 1980 amendments to the NAIC Standard Valuation Law;
- The 1980 CSO Female Smoker and Non-smoker Mortality Rates, and the 1980 CSO Male Smoker and Non-smoker Mortality Rates, tables adopted by the NAIC in December 1983 (1984 *Proceedings of the National Association of Insurance Commissioners*, I, pp. 406-407, 410-411);
- The Blended 1980 CSO Tables B through F, adopted by the NAIC in December 1983 (1984 *Proceedings of the National Association of Insurance Commissioners*, I, pp. 396-400); and
- The select factors (1981 *Transactions of the Society of Actuaries*, Volume 33, p. 669) adopted with the 1980 amendments to the NAIC Standard Valuation Law.

All of this material has been included in the rulemaking file, and has been available upon request directly from the Department, since the time the rulemaking record was opened.

With regard to the incorporation by reference of the first three documents listed above, the following demonstration that publication in the California Code of Regulations would be cumbersome, unduly expensive or otherwise impractical was provided in the Initial Statement of Reasons:

Reprinting the tables in the California Code of Regulations would be impractical, because it would unnecessarily introduce the possibility of error and because, owing to the fact that the tables in question have been in use for over fifteen years among insurers who are to be affected by the proposed regulations, reprinting the tables in the California Code of Regulations would not be particularly useful. For this reason, it has been reasonably necessary to incorporate by reference the 1980 CSO Valuation Tables, as defined in the Model Regulation, into the proposed regulations.

A nearly identical demonstration was provided in the Initial Statement of Reasons respecting the incorporation by reference of the fourth above-listed document:

Reprinting the Ten-Year Select Factors in the California Code of Regulations would be impractical, because it would unnecessarily introduce the possibility of error and because, owing to the fact that the table in question has been in use for over twenty years among insurers who are to be affected by the proposed regulations, reprinting the table in the California Code of Regulations would not be particularly useful. For this reason, it has been reasonably necessary to incorporate by reference the Ten-Year Select Factors, as defined in the Model Regulation, into the proposed regulations.

The adequacy of these demonstrations is evidenced by the fact that, when given the opportunity to do so, no interested party or other person objected to the Department's decision not to reprint the material in the California Code of Regulations, or questioned the Department's reasoning as to why doing so would be impractical, either during or after the public comment period.

SUMMARY OF AND RESPONSE TO PUBLIC COMMENTS

The Department of Insurance has received no comments with regard to this rulemaking, either during or after the public comment period.